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SUBJECT: CROATIAN MINISTRY OF FINANCE SKEPTICAL OF BOTH
U.S. AND BRITISH INITIATIVES FOR POOREST COUNTRIES

REF: STATE 31823

1. Econoff passed reftel Fact Sheet to A/M of Finance, Ana Hrastovic, on February 28, and met to discuss the U.S. initiative March 3. Hrastovic expressed concerns about aspects of the U.S. proposal, saying that she believed that poor countries would ultimately get less money. They would also go to private markets to finance investment, at disadvantageous conditions. They might even resort to raising money unsustainably on domestic markets. She felt that it would be hard for the international community to monitor export credit agencies and banks to prevent buildups of new debt.

2. Hrastovic did not appear to be familiar with the British IFF (International Finance Facility) initiative. Upon hearing about the proposal to front-load assistance by "borrowing" against future aid flows, Hrastovic expressed skepticism about the poorest countries' ability to absorb additional aid in a shorter time period. She felt that HIPC was quite an accomplishment and that, for the time being at least, the international community should perhaps concentrate on implementing that program.

3. Note: before returning to the Ministry in 2004, Hrastovic worked for the World Bank on the HIPC (Heavily Indebted Poor Countries) initiative. Her first hand experience with assistance issues obviously influences her opinions. Hrastovic noted it had been very difficult to keep donors' attention on HIPC as the process dragged out -- thus she had a reflexive resistance to introducing new and potentially complex additional initiatives.
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